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More money and better money; national bank...

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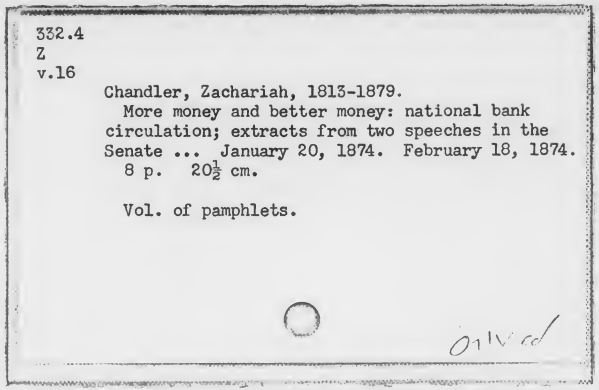
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MORE MONEY AND BETTER MONEY;

NATIONAL BANK CIRCULATION:

EXTRACTS FROM TWO SPEECHES

OF

HON. Z. CHANDLER,

OF MICHIGAN,

IN THE SENATE OF THE UNITED STATES,

JANUARY 20, 1874.—FEBRUARY 18, 1874.

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1. STABILITY.

Mr. President, I agree substantially with the remarks that have been made on this floor in regard to our want of money; but *we need one thing besides more money, and that is better money. We want more and better money than we now have.* I shall try in the few remarks that I shall submit, to show how we can have more and better money; and I shall try to be as practical as possible.

Mr. President, what the business of this nation requires is stability. The business of the nation will conform itself to almost any conceivable state of facts, so that those facts be permanent. It is the frequent changes that disturb the great business centers. It makes very little difference whether your duties be high or low, whether your internal revenue be much or little, the business of the country will conform itself to the facts as they exist; but your perpetual changes derange, disturb, overturn and destroy the business of the nation. Why, sir, look at the variations that have taken place in values within a short period. I hold in my hand a statement taken from a barometer as infallible as a weather-gage, to wit, the report of the stock, gold, and bond markets in the city of New York at different periods. First, I have the quotations of the day before the panic commenced, the 15th of September last, and then I have the quotations of four different periods besides that one.

On the 15th day of September, 1873, your new 5 per cents were quoted at 112 1-4; on the 30th day of October, six weeks after, they were quoted at 108; and on the 13th day of January, 1874, they were 112 1-2, or a quarter of one per cent. higher than they were the day before the panic commenced. These are facts that are worth studying, for they show that such a degree of change must be absolutely disastrous to any business that can be transacted.

2. SPECIE PAYMENTS.

Mr. President, I am for expansion, and a larger expansion than any other man has proposed upon this floor. I am, at the same time, in favor of improvement as well as expansion. The best time for the

resumption of specie payments that has occurred since the suspension was in 1865, at the close of the war, when gold had fallen from over 200 to 122. In a few days values had shrunk, and the people of the nation were comparatively out of debt, and were ready then for a resumption of specie payments; but the Government was not. The Government owed more than $1,000,000,000, that was maturing rapidly, maturing daily, in the shape of compound interest notes, seven-thirties, and other obligations, that must be funded or disposed of. Hence the Government was not prepared for specie payments at that time, although the people were. The people were out of debt all over the country. They had obtained high prices for everything they had to sell during the war. The farmers were out of debt, the business of the country was transacted for cash, and the whole country was comparatively out of debt; but the Government was not. The Government owed over one thousand millions of debt that was maturing within a very short time, and must be funded or in some way taken care of; and, therefore, the Government at that time was not ready for the resumption of specie payments. From that day to this we have been drifting and floating further and further and further away every hour from the true path, to wit, the resumption of specie payments.

3. Suspension a War Measure.

Mr. President, the men who have your bonds are not the men who want more money. If a man has the bonds to-day, he can get greenbacks for them and get them at the high figures that I have just read — a large percentage higher than the price paid by the Government for them during the panic. Mr. President, you cannot now, and you never can, and you never ought to, turn the Treasury of the United States into a broker's shop. It is no part of the business of this great Government to issue an irredeemable currency. We cannot afford to place ourselves beside the worn-out governments of Europe; we cannot afford to place ourselves on a par with Hayti and Mexico; we are too rich a people to do it; and it is a disgrace to us as a nation that we have allowed it to continue one single hour beyond the hour when it was in our power to remedy the wrong.

Much stress has been laid upon the fact that the Bank of England remained in suspension for twenty-one years, and it has been alluded to over and over and over again in the course of this debate. It is true that the Bank of England did remain in suspension for twenty-one years; but it is equally true that for sixteen years out of those twenty-one England was at war with France, and was subsidizing nearly all the governments in Europe; but within five years from the close of that war she resumed specie payments, and has continued them ever since.

Mr. President, the proposition to increase the volume of your paper currency is a step in the wrong direction, and I for one am utterly opposed to taking even one step in the wrong direction when I know what the right direction is; and I hope that no resolution will pass this body authorizing an increase of the volume of the paper currency, even to the amount of $44,000,000, or $25,000,000, or $1,000,000. We have fixed the sum at which it shall remain, and I trust it will there remain, and that no step will be taken towards an expansion.

4. Resumption Practicable.

I believe now, as I stated the other day, that the proposition I then suggested is entirely feasible and desirable, to wit, to give notice of an early day when this nation will resume the payment of its notes in coin. I believed then and I believe now that our bonds for $100,000,000 could be negotiated and a favorable loan made that would enable us, with the accumulation of the coming year in our Treasury,

to resume absolutely at as early a day certainly as the 1st of July, 1875, or even as early as the 1st of January, 1875; and I likewise believe that it would be the greatest measure of relief ever offered to this nation, or that has been proposed, and that it would result in permanent benefit to all classes of people in all the States. But, sir, there seems to be a sort of rabid mania against the name of coin on the part of certain parties in this body; and although I deem my proposition entirely feasible, although I believe it could be carried out, and ought to be carried out, I do not believe it can be carried at this time through this body; and therefore I shall not press it at this time. In 1865, I advocated upon this floor the substitution of bank-notes for greenbacks as a step towards the resumption of specie payments, and a rapid step toward that resumption. I am now simply advocating what I advocated then, to wit, the withdrawal of greenbacks and the substitution of national-bank notes.

5. More Money in Michigan.

Mr. President, I have had a good deal of experience in the course of my life in panics and in crashes. As a business man I went through the panic and crash of 1837, of 1847, and of 1857; and although not actively engaged in business, I have watched with great interest the crash and panic of 1873. Michigan has had a very valuable experience in the way of inflation, of panics, and of failures. In 1836 the Legislature of Michigan, then a young State of but one year's growth, authorized the issue of what was known as the Michigan five-million loan. The negotiation of a loan of $5,000,000 by that young State was effected, and with the proceeds the State proposed to build three parallel lines of railroad from Lake Michigan to the eastern waters of the State. It was nearly twenty years too early for all those roads to be built; but to-day every one of them is completed, and has been for years. As the country grew, as population increased, as wealth was accumulated, the necessity for the construction of those roads became apparent, and the capital of the people accomplished what the young State of Michigan failed to do. In 1837, while these improvements were going on, there was a failure on the part of the Morris Canal Banking Company, I think, to pay the five-million loan. They paid something over two millions, and suspended, and the State of Michigan was left without money and without much credit. She had already negotiated $5,000,000. True, a portion of it had not been received, and she had not much credit to carry on these works; but the cry went forth, "More money; more money; the laboring classes must have more money; our internal improvements will stop unless we have more money." The State of Michigan undertook to furnish more money. She granted charters to a large number of State banks, such as the Bank of Pontiac, the Bank of Clinton, the Bank of Ann Arbor, and so on — the number I cannot tell; but they did not furnish enough money. They wanted "more money;" and in order to make brief work, and the remedy efficient, she passed a general banking law, known as the "wild-cat law," authorizing everybody everywhere to start a bank and furnish more money. Well, sir, they started banks. There was the Farmers' Bank of Sandstone, the Bank of Brest, the Bank of Gibraltar, and banks where there is nothing left now but a barn, and no windows even in that. They started a hundred banks and furnished "more money." In process of time they got money enough of that kind. If the banks ever paid anything I never heard of it. They were to be started on coin, and they took kegs of nails and broken glass, with a little coin on top, and brought the inspector of banks in and started banks upon these kegs of nails with a little coin scattered on top, which were carted off the next day to some

other place to start another bank, and then they ground out "more money" there.

After the failure of these banks the cry was still, "More money; we must have more money; the country is suffering for more money." The cry was responded to, and more money was furnished. The treasury of the State of Michigan, already owing $5,000,000, undertook to furnish more money, and the State issued treasury notes *ad libitum*, and the "more-money" men got more money until the value of the State treasury notes, which have been paid to the last dollar at par, ran down to thirty-seven cents on the dollar; and almost every city in the State, including the city of Detroit, responded to the cry of "more money," and issued shin-plasters; and individuals, realizing that "more money" was needed, issued shin-plasters. So the State of Michigan was flooded with more money. Well, sir, you can see at a glance that the State of Michigan needed more money. We had as a people been speculating almost to a man. It was not confined to the merchant, the banker, the man of wealth; but the mechanic, the farmer, the laborer, every man who could buy a piece of property of any sort, kind, or description, bought it, ran in debt, laid out a town, sold the lots, gave a mortgage, and then wanted "more money" to pay that mortgage. When the collapse came it was absolute; there was no mistake about it; the collapse was perfect. Then the people of Michigan had enough of "more money;" and when our constitutional convention met, as it did a few years later, they put into the constitution a clause prohibiting the Legislature forever from chartering a bank or affording the means of furnishing "more money;" and the people acquiesced in it. They had had enough of the "more-money" cry; and for twenty-five years there was no more cry in the State of Michigan for irredeemable money. When you passed your national banking law we had in the State of Michigan just $200,000 of banking capital for the whole State; and that was a little bank in Detroit acting under an old charter. There were a few private banks scattered here and there, private individual brokers, but there were no banks of issue in the State, and we were compelled to send to the right hand and the left, and everywhere, to get money; to get good money if we could, but money we must have; and we found the place at last where we could get more money, and the State of my honorable friend from Indiana [Mr. PRATT] furnished it.

Sir, there is a generation rising since 1841, 1842, and 1843 who forget the crash of those years, but you will not find a man in the whole State of Michigan, who went through that crash, who wants any more irredeemable money; and I thought that Indiana had got pretty well filled with irredeemable money. The State of Indiana, not profiting by the experience of the State of Michigan, in 1853, some fourteen years afterward, having forgotten all about Michigan wild-cat, thought its people wanted more money, and so passed a general banking law, authorizing anybody to furnish more money who could buy a paper mill and start a shop. They gave some sort of security, but the security, I believe, was not quite as good as that which purported to be furnished by the Michigan wild-cats, for that was coin. They gave some sort of security in Indiana, and they furnished money known familiarly all over the West — my colleague will remember it — as "red-dog." Was not that it?

Mr. FERRY, of Michigan. I do not remember now.

Mr. CHANDLER. We had no other name for it in Michigan. It was generally from 10 to 20 and sometimes 25 per cent. below any other money, and I do not know that it was worth near as much as that, but it circulated because we had not anything else to circulate, and we used to send it over by the wagon-load to Chicago, and sell

it for what we could get, and buy anything that Chicago had to sell. But we got more money. I thought the constituents of my honorable friend from Indiana had had enough of that description of money, but it seems they have not. They want "more money" still. Well, sir, I hope it will not be of the red-dog kind.

6. The Losses Fall on the Poor.

Now, Mr. President, the impression seems to have gone abroad that the losses from the failure of banks and from the discount and losses upon bank circulation fall upon the wealthy classes. Nothing is further from the truth. The losses to which I have referred did not fall upon the moneyed men of the State of Michigan, the men who were in sound condition. They fell upon the laboring man, the farmer, and the mechanic. They fell upon the men who could least afford to submit to the loss. So it is now. Why, sir, our values are fixed by a foreign market, and in coin. There is not a bushel of corn or a bushel of wheat raised in Indiana, or Illinois, or Michigan, the value of which is not fixed by the foreign value in coin of that particular article. When you enhance the cost of production by an inferior currency you put that loss upon the producer, and the loss falls not upon the wealthy man, but upon the laborer and the producer. Money will take care of itself all over the world. If it is not safe in this country, it will find a country where it is safe, and it will go to that country, no matter where that may be. Hence capital requires no protection whatever from this body; money will take care of itself; but the poor man, the laboring man, the man who submits to all the losses from this depreciated currency, is the man who suffers all the pain and all the injury that are inflicted by this false legislation. Why, sir, it is rumored that even the gentleman who possesses such great wealth in this city removed a large portion of his money to Europe, where it would bring him probably no more than 3 per cent. interest, because he did not consider it safe in the District of Columbia or elsewhere in this country. So it always has been. The wealthy men of the South during the rebellion bought cotton and transferred their funds where they would be safe. My honorable friend, the senior Senator from South Carolina, [Mr. ROBERTSON,] will inform you that he never lost a dollar by all the depreciated currency that was circulated in the South during the rebellion. It was the poor men who suffered. The rich men took care of themselves. So it is all over this nation, and all over the world. In case of a loss, it falls upon the laboring masses and the poor men, and not upon the rich.

7. Later Panics.

In 1847 the crash, if such it may be termed, was very severe, and there were some failures; but there was no inflation then, and the effect of the crash and the panic of 1847 soon passed away, leaving scarcely a wave in its track. In 1857 the crash was more severe and the losses and failures greater. In 1857 we had this unlimited amount of "red-dog money," which expanded things considerably. There was no difficulty in borrowing any amount of money you wanted to borrow, but it was not very good when you got it; and the crash of 1857 was infinitely worse than that of 1847, and about equal to that of 1873. Now, sir, we come to the crash of 1873. On the 15th day of September, 1873, this nation was in a more prosperous condition than perhaps it had been for the last twenty-five years. Every branch of industry was prosperous, every interest of the people was prosperous; but in a day, at the drop of the ball at twelve o'clock on the 16th of September, the panic struck. What produced this tremendous panic and crash in this great and prosperous country? It was over-speculation in railroad securities. It was

by men undertaking to do what it was utterly impossible for them to do, to wit, for individuals to float untold millions by their own credit; and when the people became alarmed for fear the crash would come, the crash came, and there was no salvation from it. But, sir, on that very self-same day the nation was more prosperous than it had been for the last twenty years in all its interests — business, banking, and every other. That crash ought not to have extended one yard beyond Wall street and the few producers of railroad iron who were manufacturing for these defunct railroads. But, sir, the panic was so great that it spread until it became universal, and values sank until there seemed to be no bottom, and everybody was affected throughout the length and breadth of this broad land.

But, Mr. President, that panic was of short duration. Many failures took place, and particularly among stock and railroad operators; but the main business of the country still went on with a few notable exceptions. Some manufactories stopped for the want of money; others stopped for the want of credit. The men that had been issuing their paper without intending to pay it, issuing millions of dollars of paper which they knew they could not meet at maturity, trusting in luck to meet their obligations — those men could not borrow money; their lines are full everywhere; nobody will loan them money; but, sir, upon undoubted security money is to-day cheaper than it has been at any time for the last twenty years. These great borrowers, without the expectation of paying at maturity, are to-day all out of the market. No man will loan money to a person who does not pay at maturity. Every man that desires to borrow money for legitimate business can borrow it to-day cheaper than he could borrow it for the last twenty years, as I shall show you in a very few moments when I receive the paper which I have sent for.

Sir, you may legislate for this class who have over-speculated. you may legislate for the benefit of the men who have built factories, built steamboats, built mills, bought mills, bought mines, bought everything for sale, and given their paper knowing they could not meet it unless they could borrow the money over again; you may legislate them $100,000,000 or $1,000,000,000, and you will not help them in the slightest degree; but for all legitimate purposes, for all strictly business paper that is known as gilt-edged, money is not only cheaper in the market of New York, but it is cheaper in every money-center throughout these United States, than it has been for a long time.

8. The Greenback Circulation.

I will ask the attention of the Senate while I show the effect upon the purchasing value of money, by issuing your greenback circulation from the day it was first issued to the present time. In 1862 we commenced the issue of greenbacks. In January, 1862, after our war had continued for a good many months, when my honorable friend from Illinois [Mr. Logan] was in the ranks fighting gallantly for the country, the premium on gold was 2.5 per cent.; In February it was 3.5; in March, 1.8; in April, 1.5; in May, 1.3; in June, 6.5; in July, 15.5.; in August, 14.5; in September, 18.5; in October, 28.5; in November, 31.1; in December, 32.3. It will be remembered that the then circulating medium (which was at that time State-bank notes) amounted to about $200,000,000. This circulation was increased during the year 1862 by the addition of $147,700,000 in greenbacks, and that increase of circulation carried the value of gold from 102.5 on the 1st of January to 132.3 on the 31st day of December following. I account for that gradual increase in this way: The notes of the Government were issued at first, as my honorable friend from New Jersey will remember, in very small quantities, almost infinitesimal quantities; were paid out to the Army and produced no important

effect; but by the end of the year 1862 the premium on gold had risen to 32.3 per cent., or nearly one-third. The average premimn during that calendar year was 13.3 per cent.

In 1863 the necessities of the Government compelled us to increase the greenback circulation to a yet larger extent. We issued during that year $263,500,000 additional, carrying up our greenback circulation to $411,200,000, in addition, of course, to our bank circulation, whatever it may have been. During the month of January of that year the premium on gold was 45.1 per cent.; during February, 60.5.; March, 54.5; April, 51.5; May, 48.9; June, 44.5; July, 30.6; August, 25.8; September, 34.2; October, 47.7; November, 48; December, 51.1. In other words, the average rate of premimn upon gold during that whole year was 45.2 per cent. I hold in my hand a paper showing the cash value of this emission for 1863. The emission of greenbacks at that time was $411,200,000. The average premium on gold was 45.2 per cent. The actual cash purchasing value of that four hundred and eleven millions, during the year 1863, was $283,195,000, and that was the whole purchasing value of that money during that year.

Then we come to the next year, 1864. In 1864 we increased our circulating medium by the addition of $237,900,000, making the whole amount of greenbacks then $649,100,000. I know that these figures are very dry and uninteresting, but I am trying to make them as brief as I can, and to make them as little annoying as possible. In 1864 we had carried our greenback circulation, as I have said, up to $649,100,000, or an increase of $237,900,000 since 1863. In 1864 the price of gold was, in January, 155.5; February, 158.6; March, 162.6; April, 172.7; May, 176.3; June, 210.7; July, 258.1; or less than forty cents on the dollar in coin for your greenbacks after you had carried the amount up to $649,000,000. In August the premimn was 254.1; in September, 222.5; in October, 207.2; in November, 233.5; in December, 227.5. There is not a man here who does not remember, nor is there a farmer or mechanic throughout the length and breadth of the land who does not remember, that he then paid sixty cents for cotton goods that he had been in the habit of buying for twelve and a half cents, and that he paid for everything else in the same ratio. The merchant took care that he met with no loss; but the laboring man, the farmer, the man of muscle, was the man who submitted to this great loss, while the merchant and while every man with money took care of himself.

9. The Rise and Fall of Gold.

During that year the average price of gold was 203.3 per cent., or your money was a fraction less than forty-eight and one-half cents on the dollar during the whole year. You had out that year $649,100,000, and the value of gold was 203.3, and the purchasing value of your $649,100,000 was $319,281,000, and that was the whole of it. The purchasing value of your $649,100,000 was more than fifty millions less than of the $400,000,000 you have out now, for it is four hundred millions including your fractional currency.

I am trying to convince the members of this body that inflation is not an increase of money. The people of the State of Michigan have become convinced of this by sad experience, at least those who have been there long enough to suffer from inflation; and I want to convince the members of this body that inflation is the greatest curse they can inflict upon the nation or npon their constituents.

In 1865 you again increased the volume of your circulating medium by the amount of $40,800,000; making the whole amount of your circulation $698,900,000. During the month of Jannary, 1865, the price of gold was 216.2; during February, 205.5; in March, 173.8; in April, 148.5; and after that it stood at 135.6, 140.1, 142.1, 143.5, 143.9, 145.5, 147, 146.2. The average of the year 1865 was 157.3; and what was the purchasing value of your greenbacks that year? Every man here will remark that that year we were disposing of our honds at the rate of hnndreds of millions of dollars a month; money was passing throngh the Treasury almost without limit. We had $1,000,000,000, that must be negotiated, and negotiated at once — seven-thirties and compound-interest notes and other floating liabilities that must be funded; and during that year the war had closed, and we were negotiating at this enormous rate, the price of gold fell to 153.3, and during that year the purchasing value of our circulation attained a higher rate than during any other year. That year, although our circulation

of greenbacks was $698,000,000, and the premium on gold 57.3, the actual purchasing value of that $698,000,000 was $444,310,000. In 1866 we retired $50,000,000, leaving $648,900,000, and the average premium on gold that year was 40.9 per cent. The purchasing value of the $648,900,000, with the premium on gold at 40.9, was $432,150,000.

The next year, 1867, we retired $72,300,000, and the premium on gold fell to 38.2. So we went on reducing until we got down to $400,000,000, and then we struck 14.9, 11.7, 12.4, and 14.7 as the premium on gold. There the matter has stood, and I have here from year to year the purchasing value for each year.

In 1867 the premium on gold was 38.2, and we had $536,600,000 of circulation, and the purchasing value of that was $388,277,000. In 1868 the premium was 39.9; we had $444,200,000 of circulation, and the purchasing value of it was $317,967,000. In 1869 the premium was 33 per cent.; we had $391,500,000 out; the purchasing value was $294,436,000. In 1870 the premium was 14.8; we had $368,400,000 out; the purchasing value was $346,736,000. In other words, you will perceive that the purchasing value of our $368,000,000 in 1870 was greater by $36,000,000 than the purchasing value of our $698,900,000 in 1865.

Mr. President, what we want is purchasing value, because the intrinsic value is measured by the purchasing value. There is not a bushel of wheat that goes from your State or from mine the purchasing value of which is not fixed by the gold value on the other side of the Atlantic. We are shipping millions and tens of millions and hundreds of millions of our agricultural products every year, and the value of these products is fixed in gold on the other side of the Atlantic; and yet by this increase of circulation we enhance the value of everything that the producer raises, but when the product comes to the market its value must be fixed by its price in gold across the Atlantic.

10. CONCLUSION.

I was endeavoring to show that the issue had very much to do with the value of coin, and I show it from these figures, that after we had diminished our issue of greenbacks to a certain limit, the value of coin fell from 33 in a single year to 14, and that it had remained, as I read, in 1870, 14 9-10; in 1871, 11 7-10—I am giving you the average throughout the year—in 1872, 12 4-10; in 1873, 14 7-10, thus remaining substantially at the same figure, rising a little now and falling a little then, but remaining substantially at the same figure so long as you held the quantity of greenbacks at that amount; and prior to that I had shown that as you increased the issue of your greenbacks enormously, you increased the value of your gold, and that after you had reduced it to a certain amount, you reduced the value of your gold.

Now, sir, with regard to comparing these figures, I took them as an exhibition of the effect of excessive issues. But suppose you take your continental money which has never been redeemed, issued to meet the demand for more money; and so they kept on, issuing more money, more money—take the continental money that first won us our independence as a nation, and what to-day is the value of that money?

Now, Mr. President, a great deal has been said about the issue of greenbacks in place of national currency. I should like to ask any man who makes that proposition, how he proposes to get the greenbacks out of the Treasury of the United States into the hands of the people. The business of a bank is to discount bills of exchange, to discount notes. A man in Chicago buys a cargo of wheat, corn, or oats, and draws a bill of exchange on the city of New York, or his factor in Buffalo, or wherever he ships his cargo. He goes into the bank and takes his currency for that exchange. That is the business of a bank. Now, suppose you abolish all banks, do you propose to have your Government, your national Treasury, issue bills of exchange, issue the greenbacks and get them into the hands of the people? Is that what you propose?

Now, there are only two ways to get the greenbacks into the hands of the people. You can go and buy bonds, but I have shown you that your bonds are to-day worth over 120 cents on the dollar. If you resolve to-day to issue $100,000,000 in greenbacks for the purpose of purchasing your bonds, you carry those bonds up to 130 or 140 perhaps; nobody knows where you will carry your gold-bearing bonds. I ask any man to answer me that question. Suppose you issue $100,000,000 or $200,000,000 or $500,000,000 of greenbacks, how are you going to get one solitary dollar into the hands of the people unless you go into the market and buy your bonds; and then they do not relieve the people to the amount of a solitary dollar? You must turn your Government into a broker's shop and discount the bills of *A*, *B*, and *C*, all over the country. How much would you give for your assets after you have carried on that business for twelve months?

Mr. President, I know of no way to substitute the Treasury of the United States for the banking experience of the last ten centuries. We have the experience of the past. We have the experience of our own nation. We have the experience of the world. Now, do we propose to throw aside this experience, and to launch our boat upon a wild and uncertain sea, an ocean of expansion and no payments, an ocean of expansion, for what?

Sir, there are very few persons within the range of my acquaintance who desire expansion of an irredeemable currency. Certainly the people of Michigan have had abundance of experience of that kind. But wherever you go you will find two classes of men who are making a great noise about "more money." One is the speculator, the impecunious speculator, who has, perhaps, bought real estate and given a mortgage, and thinks that his only chance is to reduce the value of your currency until it falls so low that the people would rather take his land than hold your money; and the other is the man who has issued his paper without intending to pay when it matures, and who can borrow no more money upon any terms until he pays what he already owes.

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